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EFTA Bulletin

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EUROPEAN FREE TRADE ASSOCIATION

EFTA MINISTERIAL MEETING IN BERNE

From left to right: Mr. F. T. WAHLEN, Chairman of the EFTA Council; Mr. Max PETITPIERRE, President of the Swiss Confederation; Mr. F. E. FIGGURES, EFTA Secretary-General. (Photo Interpresse)

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AND NOW TO BUSINESS...

THIS meeting of EFTA marks the beginning of a new stage of the cooperation which our seven countries, together with Liechtenstein, have instituted. This cooperation has so far been fruitful, since it has enabled us to establish the EFTA. But it is not sufficient merely to fashion an instrument; its value depends on the use one can make of it. From now on we are being put to the test of experience. We have to show that EFTA is an institution brought to life by a common will to make of it something alive and effective. We can no longer consider it essentially a means to enable our seven countries to embark on a negotiation with the European Economic Community. That objective remains valid. But it is necessary first of all for EFTA to be capable of attaining its own ends. For this, a spirit of solidarity based on mutual understanding and good will must be developed between our seven countries. Only thus can we maintain our cohesion, and besides prepare ourselves to act effectively in present and future negotiations—GATT, the Organisation for Economic Cooperation and Development, the Trade Committee.

Industrialists Should Act

This is not only the business of our Governments. It is also—perhaps above all—the business of industrialists and others in our different countries. It is they who are suffering, or will suffer, most directly from the effects of the economic division of Europe. It is up to them to act so as to obtain the maximum advantage from the instrument we have put in their hands. The success of the Common Market is due not only to the application of the Treaties of Rome but also to the way in which business firms in the six countries of the E.E.C. have exploited the opportunities which the Common Market offers them. We need in our respective countries to point this out to our industries and business circles in general.

Contribution to Unity

We must also remember that, while the objectives our Association seeks to attain are economic and social, it has also a political significance, in so far as it represents a conception of the form European cooperation can take—a conception different from that of community institutions to which our countries have decided they could not belong, but capable of contributing equally to the achievement of the unity of our Continent. Even if the chances of an agreement in the near future between the Six and the Seven are limited, it will certainly be necessary for agreement to be reached one day. It is essential not only for commercial reasons and because the economic interests of European countries require it, but also because of the tasks which the Western world as a whole, and Europe in particular, have to accomplish abroad, in the continents where countries are achieving independence in rapid succession without being in a position to face alone the problems confronting them. The future of Europe—that is, of our countries—is at stake not only in Europe but also overseas. In discussing the particular questions before us, we must constantly keep in view the broader picture.

European Integration Will Continue

European integration is at its beginning. It will continue. It is a continuous evolution, in which each of our countries is interested, and which each rightly desires to influence. Monopoly of action must not be abandoned to the countries which took the first initiatives and which are today ahead of us.

The influence of our seven countries over the direction and form which integration will take and over its probable course will depend on the vigour and effectiveness which we succeed in giving to our Association. We shall discuss steps which will enable us better to inform opinion about ourselves. But the best and most convincing publicity is that which results from events, that is to say, from the decisions we take and the weight we attach to them.

Each of our Governments naturally has its own problems and difficulties. The adaptation to the common rules which we are imposing on ourselves is more uncomfortable for some than for others. But if in seeking constructive solutions we continue to be animated by the spirit of mutual understanding which has inspired us up to now and which has brought us to the point at which we are, we can I believe envisage the future of EFTA with confidence. (Tr.)

MAX PETITPIERRE
President of the Swiss Confederation, addressing the EFTA Council, 11th October 1960.

INDUSTRIAL CONSULTATION IN EFTA

By a Special Correspondent

CONSULTATION between the industrial federations of the different European countries is no new phenomenon, but the creation of trading groups in Europe has imposed a new pattern on these consultations. The industrial associations and federations of the member countries of EFTA have for instance been tending to meet together to discuss the smooth working of trade between them and to exchange ideas and information which would make this possible. This sort of cooperation has already gone a long way though there has been little publicity about it. All the many groups involved, from the great national federations to the many and diverse associations of particular manufacturers, have eschewed the methods of ' open diplomacy '; they have preferred to proceed quietly until, having reached agreement, they can prepare a statement setting forth their views.

Associations of industrialists from among the EFTA countries were already active in discussing the problems of European trade well before the Stockholm Convention was signed. In April 1958 a comprehensive statement was drawn up by the principal industrial federations and employers' associations of Austria, Denmark, Norway, Sweden, Switzerland and the United Kingdom, which set out in detail the terms on which they considered that a free trade association should be negotiated; this document embodied the views which had emerged from previous discussions held between the industrial federations of Sweden, Norway, Denmark and Finland. It adopted the standpoint that the first objective of such a free trade association should be to encourage freer and wider international trade, not only between the member countries but also with the rest of the world.

This ' outward looking ' view is still firmly maintained by the industrial federations of EFTA. Their joint statement of 1958 advised that the abolition of tariffs and restrictive quotas should follow the same transitional period as that adopted by the European Economic Community.

Glossary

EFTA — **The European Free Trade Association, established by the Stockholm Convention. Its members are Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom.**

E.E.C. — **The European Economic Community, established by the Treaty of Rome. Its members are Belgium, France, Germany, Italy, Luxembourg and the Netherlands.**

O.E.E.C. — **The Organisation for European Economic Cooperation was established in Paris in 1948. Its 18 Member States are the Seven of EFTA, the Six of the Common Market (E.E.C.) and Eire, Greece, Iceland, Spain and Turkey. The remodelling of O.E.E.C. as the Organisation for Economic Cooperation and Development, with the United States and Canada as full members, is being discussed.**

GATT — **The General Agreement on Tariffs and Trade. It came into operation on 1st January 1948. 38 States are Contracting Parties to the Agreement, and other States are associated.**

Council of EFTA Industrial Federations

The outcome of this early series of discussions was the establishment, at the beginning of February 1960, of the Council of the Industrial Federations of EFTA. The Council, which includes Finnish representation, is under the chairmanship of Sir William McFadzean (President of the Federation of British Industries), the Vice-Chairmen are Dr F. J. Mayer-Gunthof (President of the Vereinigung Oesterreichischer Industrieller) and Mr. A. Monrad Aas (President of the Norges Industriferbund). The purpose of the Council is to provide a forum for joint consultation between the associations of the eight member countries on questions of industrial policy which would affect their trading relations with one another and with the rest of Europe. It is intended to smooth and strengthen contacts between individual member federations for the exchange of information, to study the possibilities of establishing a multilateral trading system between all the O.E.E.C. countries and to provide for the discussion of any industrial problems of member countries. The Council holds periodic meetings but does not publicise its discussions. It is known to be in favour of some form of association between EFTA and the E.E.C. If, or when, it works out a possible solution, then it will make its voice heard. The Council is generally agreed to be a great improvement on the previous system of *ad hoc* meetings and is doing much to cement relations between EFTA members at the industrial level.

The Council is not the only machinery for contact between industrial federations of the Seven. The major industries, chemical, electrical, engineering, etc., have their own EFTA federations (for example M.E.S.T.A., a grouping of the electrical and mechanical industries, and P.I.A., the pharmaceutical industries' association). Indeed almost all the manufacturers' federations of each of the member countries of the Council have their channels of discussion with their counterparts in other member countries; some are still open to seventeen or thirteen countries—continuations of the systems which grew up when O.E.E.C. was the only framework of economic grouping; nevertheless, within these international federations EFTA interests are discussed and promoted.

Topics Discussed

Among topics discussed so far have been rules of origin and dumping practices. For example, Mr. Rudolph Seidl of Austria, chairman of the European committee of the international federation of cotton textile and allied industries, recommended a revision of rules for textiles. At the same time he advocated the desirability of effecting an alignment of EFTA tariffs in the textile sector with the common external tariff of the E.E.C. He also suggested that common anti-dumping measures should be taken, and that the trade policies of all European countries towards third countries should be coordinated. The steel wire industries' federation has similarly expressed its anxiety about the anti-dumping rules of EFTA. In May 1960 the footwear manufacturers' federation of EFTA decided to exchange information about dumping practices, and stated that one of its major objects was to press for effective anti-dumping legislation by each member country against certain states.

So the process of consultation continues. Industries in EFTA are no longer isolated within their own frontiers; they now have a wide choice of groupings in which to make their voices heard.

CHALLENGE OF EUROPEAN INTEGRATION

From a Speech by Dr. h.c. Carl Koechlin, President of the Swiss Federation of Commerce and Industry, 6th October, 1960

WE must start with the fact that both the E.E.C. and EFTA are realities. It is reassuring that this is equally true of EFTA, but it must not be overlooked that the E.E.C. came first in time; the Treaty of Rome on which the E.E.C. is founded entered into force in the spring of 1957, while the instruments ratifying the Stockholm Convention were only deposited at the beginning of May 1960. The E.E.C. therefore has a start in its activity. This holds good not only for measures in the field of commercial policy, but equally for cooperation between business in the various countries, extending in the case of the E.E.C. to research, production, trade and transport. This is important, for it has already brought about developments which are remarkable from a general standpoint. The activity of the private sector of the economy stems from these, and even though in some branches of the private sector there are critical and sometimes even hostile attitudes to particular provisions of the Treaty of Rome or decisions of the institutions of the E.E.C., this activity was soon put on a practical basis; businessmen drew the conclusions inherent in these developments and used the possibilities revealed to extend and strengthen their position in the private sector. This will no doubt be carried further, even when it might not be in keeping with the letter of the Treaty of Rome, for example in the field of cartel policy. This attitude is an indication that businessmen see in the E.E.C. a basis on which they can take far-reaching decisions.

Regarded as a source of strength for an important part of the Western European economy, the pattern of activity and tendencies mentioned above can be approved. Seen from our narrower Swiss point of view, they require to be attentively followed, and on the part of both employers and employed, producers and consumers, for every effort to be exerted, in order that we shall be able to maintain and build up our position in the area of the E.E.C. and in the world. This is still the case if an understanding comes about with the Six, but especially so if this should not be possible in the foreseeable future. In the former case, even if we reach the most favourable solution, we shall be competing over a wider field, in all probability even more keenly than now, taking into account that competition will be harder and more general. On the other hand, however, we need also to take advantage of the opportunities for development which a large common market offers. We must keep these factors in mind, guide our actions by them and make the necessary adaptation in time.

Open Market

From the general purely economic standpoint we cannot gainsay the importance and desirability of creating a large common market. Quite the contrary. What we want is that it should truly be a *common* market, open to as many free countries as possible, and that joining and taking part in it shall not be hindered or even made impossible by conditions as

(Continued on page 6.)

Political and Economic Conference of the Seven

London, 7th-9th November 1960

THE British Prime Minister, Mr. Harold Macmillan, and leading members of the seven EFTA governments, will speak on the opening day of a Political and Economic Conference in London from November 7th to 9th, organised by the U.K. Council of the European Movement.

The purpose of the Conference is to exchange views on the Stockholm Convention in the light of its stated aims, namely to promote in the Area of the Association and in each Member State a sustained expansion of economic activity, full employment, financial stability and continuous improvement in living standards.

A delegation of twenty from each of the EFTA countries will include members of national Parliaments, industrialists, bankers and trade union leaders.

Mr. Selwyn Lloyd, Chancellor of the Exchequer in the United Kingdom, will open the conference, and other speakers will include Mr. Halvard Lange, Norwegian Minister of Foreign Affairs, Dr. Bruno Kreisky, Foreign Minister of Austria, Dr. Correa de Oliveira, Minister of Commerce of Portugal, Mr. F.T. Wahlen, Swiss Minister of National Economy and Mr. Gunnar Lange, Minister of Commerce of Sweden, and the Secretary-General, Mr. F. E. Figgures.

The Conference will be addressed in its closing session by Mr. Reginald Maudling, President of the Board of Trade.

At the invitation of the President of the Association of British Chambers of Commerce, Sir James Hutchison, the Presidents and Chief Executives of national Chambers of Commerce associations of EFTA will meet in London at the same time. This meeting is being held within the larger framework of the Conference.

laid down in the Treaty of Rome, which in part at least not all the free countries of Western Europe could accept. So we are basically not in any way opposed to the idea of a *truly common market*, which would embrace the whole of Western Europe; the possibility of bringing in other continents had better be postponed until we have become united among ourselves.

Swiss Standpoint

Besides the attitude taken above in regard to the plan of a European economic association, from the general, overall European standpoint, the position must now be seen from the Swiss standpoint. It is well known, and I can express it in a sentence : So long as entry into the E.E.C. or an association with it requires the total acceptance of all the conditions and obligations which are today laid down in the Treaty of Rome, it would be impossible for our country, and the majority of our people—who have the final decision—would certainly not consent to accede to the E.E.C. in one way or another. This would also apply to our partners in EFTA, especially to those who have an obligation to follow a policy of neutrality. So the decisive factor for us is whether the signatories of this Treaty of Rome stand fast on the unconditional acceptance of all its provisions, or whether they are ready to accept an arrangement which would make possible close cooperation in the economic sphere, a cooperation not involving the sacrifice of important sovereign rights, without for example the complete renunciation of an independent commercial policy, and without subordinating the economy to collective institutions, as would inevitably be the case with a Customs Union. This question is surely justified if one considers the attitude so far of the authorities and institutions of the E.E.C. and the drawn out negotiations—which have not to our knowledge yet been concluded—with the O.E.E.C. countries, Greece and Turkey, which would like to join the E.E.C. The answer to this question must have a decisive influence on the next step. (Tr.)

EMPLOYMENT UNDER EFTA

An Interview with the Head of the Norwegian Labour Office

UP to now the EFTA Convention has had only positive effects on the employment situation in Norway, Mr. Gunnar Braathen, Head of the Norwegian Labour Office, has told the Oslo newspaper " Arbeiderbladet ". The EFTA Convention has led to increased activity within industry designed to strengthen its competitive ability, and firms are to an increasing extent initiating cooperation among themselves both as regards production and sales. The Director states that according to the information available to-day the employment situation will be considerably easier this winter than has been the case during recent years. It is forecast that the number of unemployed at mid-winter will be at least 8,000 less than at the same time last year. It should be noted however, Mr. Braathen says, that special problems exist in certain districts and that we are faced with uncertain factors like weather conditions and their impact on the fisheries. With fairly normal weather conditions and normal fishing it should be possible for the Government to limit its action to the ordinary winter increase in activity on works on the main roads, which affords employment for 3,000 men, and to some river embankment works which it is practical to undertake in wintertime.

(Tr.) From *Arbeiderbladet*, Oslo, 29/9/60.

EUROPE'S PEACEFUL EVOLUTION

By Dr. Bruno Kreisky, Austrian Foreign Minister, speaking at the U.N. General Assembly, 29th September, 1960

IT is not only the political structure of Asia, Africa (and, incidentally, of Latin America) which has undergone a fundamental change. There has been a peaceful evolution in Europe the importance of which should not, I submit, be underestimated. And there is a growing conviction among the democratic European nations—nearly 300 million people—that a programme of mutual cooperation, transcending the frontiers, should be initiated with the aim of combining the spiritual and material resources of that part of the continent.

I would ask you to consider that the concepts of Social Welfare and Social Justice have originated in Europe and that it is in Europe where they have reached maturity.

At present the European nations have embarked upon a venture of economic integration. I should like to avail myself of this opportunity to state before this international forum that, in so doing, we do not propose to serve only our own ends; it is no less our purpose to contribute an increasing share of our national income to the economic development of other nations.

European economic integration, whatever its final shape, has been conceived to serve peace and nothing else. (Tr.)

NEXT ISSUE

An article on contacts between trade unions in EFTA will be published in the next issue of the EFTA Bulletin.

EFTA—A TWO-WAY TRAFFIC

From a Speech by Sir William McFadzean, President of the Federation of British Industries, in Copenhagen, on 20th September, 1960

FIRST of all, let us face up to the hard fact that Western Europe is today in many respects divided into two main blocs, groupings, or call them what you like, namely:

(a) The E.E.C. or Common Market—essentially a political and economic integration with its members committed to abolish internal tariffs and quotas over a period and to have a common external tariff, and

(b) the EFTA or Outer Seven—essentially an economic integration also committed to abolish internal tariffs and quotas over a period but with each member having the right to determine his own external tariff.

The second hard fact is that as a result of the steps taken to date to implement the Treaty of Rome and the Stockholm Convention by the Six and the Seven respectively, the gap between the two groups has been widened. With each successive step taken by the two groups this gap will be increased and a coming together rendered more difficult. No thinking person in any free country can view this division with equanimity. It is bound to result in a disturbance, and dislocation of trade in Western Europe. It is resulting too, in my opinion, in a duplication and possibly at times misplacement of investment which in this capital-starved world can have serious repercussions far beyond Western Europe.

It is for these and other reasons that I am sure peoples in every country of the free world have taken encouragement and hope from the recent improvement in atmosphere and the resurgence of the desire, by certain parties at least, in both the Six and the Seven to try once again to resolve their differences...

Surely we must all give maximum support and understanding to all these endeavours to achieve a united Europe. But I suggest it is a disservice to this great objective to develop any easy optimism and to ignore or underrate the difficulties which exist...

Basis for Partnership

I agree EFTA is no substitute for a wider European economic association but I am convinced it is a step on the way and a big step too. EFTA is no longer a hypothetical possibility. It is a reality; and something to be reckoned with. And it seems to me that when we are talking in terms of a wider European association this is important. For as our Ministers agreed in Lisbon last May we can now talk in terms of a partnership between the two groups, without detriment to the integrity of either. How important it is then that we should make EFTA work, and work well. If we do this, we shall be achieving two things; strengthening our position as a group, and at the same time reaping the benefits of the expanding markets which freer trade between us will bring, and which to some extent at least, will offset the difficulties and disturbances we may meet from the Common Market.

Trade Opportunities

In order to play our part in EFTA we have been disseminating information among our members about trade opportunities in the Outer Seven. We are giving sources of information and addresses of such bodies as market research institutions which will help to acquaint businessmen with new possibilities for trade openings, and special meetings and conferences will be devoted to the same subject. The interchange of visits between countries and, of course, between our Federations, has already started and must be vigorously pursued. We believe our efforts should not only involve a survey of potential export markets by the producer, but also include an investigation of new sources of supply in the EFTA countries by consumers and users.

But in the last analysis the effectiveness of EFTA must ultimately depend on the action of individual companies and individual businessmen of the countries concerned—in the rugged language of business phraseology, the buyer must go out to seek sources of supply and the seller search out for customers. I repeat if EFTA is going to be a success there must be a strong and virile two-way traffic between its members and we must all be big enough to accept this.

EFTA's Basic Objectives

EFTA's aim is to achieve free trade in industrial goods between the Seven countries and to enable their trade in agricultural and marine products to expand. The Member States are determined:

(i) to do all in their power to bring about an accommodation between the Seven and the Six, in order to achieve a single market and the closest economic cooperation in Western Europe;

(ii) by preserving the unity and increasing the economic strength of Europe, to enable it to contribute to the expansion of world trade and so assist the newly developing countries.

PROGRESS REPORT

May-September 1960

(*Based on the Secretary-General's Report to the Council*)

The Stockholm Convention establishing the European Free Trade Association was signed on 4th January, 1960, and entered into force, upon ratification by all Member States, on 3rd May. The Council met for the first time on 11th May. It has since held sixteen meetings, of which the second was at Ministerial level. The meeting in Berne will be the seventeenth meeting of the Council, and the second at Ministerial level.

Until 1st July, the Council was chaired by Sweden (Mr. G. Lange at Ministerial level and Mr. I. Hägglöf at official level). Since then, Mr. F. T. Wahlen and Mr. O. Long of Switzerland respectively hold the Chair. The Council has so far adopted eighteen formal decisions, besides other decisions and agreements which appear in the records of its meetings.

To help it in its work, the Council has established three Standing Committees: a Customs Committee which has already met twice; a Committee of Trade Experts which held its first meeting in October; and a Budget Committee which first met in July. Other questions have been dealt with by *ad hoc* groups comprising members of permanent Delegations and experts from capitals. The regular work of the Council is now normally prepared by meetings, with the Secretariat, of deputies to the Heads of Delegations, who also themselves hold regular informal meetings to discuss questions of common interest as they arise.

Ministers representing EFTA countries

Austria: Dr. **Fritz BOCK,** Minister for Trade and Reconstruction.

Denmark: Mr. **Kjeld PHILIP,** Minister of Finance.

Norway: Mr. **Arne SKAUG,** Minister of Commerce.

Portugal: Mr. **J. G. CORREA DE OLIVEIRA,** Minister of Commerce.

Sweden: Mr. **Gunnar LANGE,** Minister of Commerce. Mr. **C. H. NORDLANDER,** Minister without Portfolio.

Switzerland: Mr. **F. T. WAHLEN,** Minister of National Economy.

United Kingdom: The Rt. Hon. **Reginald MAUDLING,** M. P., President of the Board of Trade. The Rt. Hon. **Edward HEATH,** M.B.E., M.P., Lord Privy Seal.

EFTA COUNCIL MEETS I

The EFTA Ministers and senior officials at the Council table in

Trade and Customs Questions

The first tariff reductions of 20% were carried out smoothly in July, the problem of fixing Portugal's basic duties having been satisfactorily resolved at the end of June. So far as revenue duties are concerned, Member States completed by the end of June the exchange of their final lists, and an *ad hoc* working party which met in April produced a report which clarified the factual position on a number of the items notified.

In the quota sector, Member States duly completed the notification of the quotas they intended to introduce on 1st July. An *ad hoc* working party which met in June compared and exchanged information about these lists, and in a number of instances Member States subsequently modified their arrangements in the light of suggestions that had been made.

At the meeting of the Council in Lisbon, Ministers decided that the possibility of reducing duties more rapidly, foreseen in paragraph 5 of Article 3 of the Convention, should be studied immediately. While the initial work on these studies was undertaken in the first place mainly in capitals, there have been frequent exchanges of views and information in Geneva. The results of the studies and exchanges were before Ministers at the meeting of the Council in Berne.

The origin provisions of the Convention came into operation on 1st July, without any significant difficulties coming to light then or since. In the early part of the year the Group of Customs Experts carried out an extensive task of correcting and completing the Schedules to Annex B to the Convention, which resulted in a series of amendments to the Convention. Annex D to the Convention has also been revised.

E, 11th-12th October 1960

e opening of the Conference by Mr. Max Petitpierre. (Photo ATP)

In July a further item was added to the list of basic materials in Schedule IV to Annex B. The Customs Experts also prepared additional provisions concerning a system of segregation by accounting methods; forms of documentary evidence; the dispensing with documentary evidence for consignments of small value, and the treatment of materials taken into stock before 1st July, 1960. A common interpretation of certain rules was also agreed.

The Council has recently referred to the Committee of Trade Experts the question, arising from paragraph 3 of Article 7 of the Convention, of the rules to be applied to deal with drawback in the period beginning 1st January, 1962.

External Relations and Legal Questions

A negotiating body under the chairmanship of Mr. I. Hägglöf successfully concluded in May discussions with a Finnish delegation on the relations between Finland and the Association.

An important item of external relations is the presentation of the EFTA Convention to the GATT. The first stage in this presentation took place in May and there will be further discussions at the next GATT Sessional meeting in November. For both these occasions, there have been close and valuable preparatory discussions between Member States.

The Secretary-General has now begun making formal contacts with those international organisations whose work is of most interest to EFTA.

Administration and Finance

Early in March, a small staff of seconded civil servants, headed by Mr. Sten Lindh of the Swedish Foreign Service as Executive Secretary, began work in temporary offices at the Bâtiment Electoral in Geneva. During the next five months, this Secretariat never exceeded fifteen persons in all. By the end of July, the Council had approved Staff Regulations for the EFTA Secretariat, including salary scales based in principle on those of other international organisations in Geneva, and had adopted a Manning Table which provides for a total staff of thirty-nine, including twenty in the General Service category.

Financial Regulations were approved by the Council in July and on 28th July, the Council, on the recommendations of the Budget Committee, established the initial Budget of the Association for 1960-61. The total of estimated expenditure provided for was 1,655,300 Swiss francs. The Council also agreed on the scale of contributions towards it by Member States. The scale based on gross national product employed by the Organisation for European Economic Cooperation was adopted but with the proviso that no Member State should contribute more than 30% of the total.

The Berne Communiqué

THE second meeting at Ministerial level of the Council of EFTA took place in Berne on 11th and 12th October, 1960. It was the first Ministerial Council since the initial tariff reductions foreseen in the Stockholm Convention were implemented on July 1st.

The Ministers noted with satisfaction that the first measures provided for in the Convention came into operation without any difficulties. The tariffs have been cut and import quotas expanded according to the time-table. The origin rules are working smoothly, and no complaints have been heard about the practical implementation of these rules.

In the light of this, Ministers discussed the time-table for futher tariff reductions laid down in the Convention. They concluded that too little time had elapsed since the first tariff reductions on 1st July for them to make any modification of the time-table at this time. They resolved to re-examine the question early in 1961.

There was a general exchange of views on European trade problems during the course of which British Ministers gave an account of discussions they had had recently with other European Ministers and also with Commonwealth Finance Ministers.

The Ministers re-affirmed that the object of EFTA was not to create an inward-looking preferential bloc. They emphasised that no restrictions on trade with third countries had been introduced as part of the creation of the Free Trade Association, neither were any intended. EFTA offered to all trading nations, whether producers of industrial or agricultural products, the opportunities of an expanding market.

The Ministers discussed the problem of current multilateral tariff negotiations. They agreed that the

pragmatic methods recommended by the Committee on Trade Problems (the Committee of twenty-one) should not, in any way, detract from the continued efforts to achieve an overall European trading system at an early date. They considered, on the other hand, that all available machinery, especially the Study Group of the Committee on Trade Problems and the GATT tariff negotiations, should be used to the fullest possible extent in order to alleviate the existing difficulties.

Ministers decided to establish a Consultative Committee, representative of all aspects of economic activity, including labour. The purpose of the Committee would be to consider and advise on all aspects of the activity of the Association. This decision would not become operative until the Danish Government, which wished to complete certain internal consultations, notified the Council. The first meeting would be held as soon as convenient at the headquarters of the Association in Geneva.

Ministers decided that they would next meet in Geneva, in February, 1961.

An Association Agreement?

IN a Recommendation on European Economic Relations, adopted at its meeting in Strasbourg, on 29th September 1960, the Council of Europe's Consultative Assembly reaffirmed its faith in the concept of the unity of the whole of democratic Europe, of which the six-Power Community and EFTA represented stages. It visualized an Association Agreement between the E.E.C., the EFTA and, where appropriate, the other member states of the Council of Europe.

It went on to recommend that exploratory conversations should begin as soon as possible on the conditions under which such an Association Agreement could be negotiated, fully respecting the obligations of member countries under the Rome Treaty, the Stockholm Convention and the General Agreement on Tariffs and Trade. The Agreement should embody the following general features:

Gradual elimination of customs duties and quotas on industrial goods between member countries of this Association, in accordance with an agreed time-table;

Harmonisation of customs duties, with the adoption of a common tariff in some sectors, certificates of origin being used to avoid deflection of trade only where satisfactory harmonisation of tariffs had proved impossible;

Provisions for consultation concerning the time-tables for the reduction of internal trade barriers in accordance with the Rome Treaty and the Stockholm Convention, and, insofar as possible, the synchronisation of these time-tables;

Co-ordination of commercial policies towards third countries;

Provisions for facilitating expansion of trade in agricultural produce, parallel to that of trade in industrial goods, respecting the aims of the agricultural policies of member States and the common policy of the E.E.C.;

Provisions allowing the United Kingdom and other member countries to maintain special commercial and economic relations with their overseas territories, associated countries, and with the Commonwealth;

Where existing preferences stand in the way of the harmonisation of tariffs, this difficulty might be overcome by replacing the preferences by tariff quotas in accordance with GATT rules, or possibly by the other countries of the Association accepting to grant the same preferences;

Provisions making it possible for the European countries which are neither members of E.E.C. nor of EFTA to become members of the new Association by becoming members or associated members of one or the other of the two groupings, taking into account the special development needs of these countries;

Regular confrontation and increasing co-ordination of economic, financial and social policies of member countries to ensure the balanced functioning of the Association and to achieve gradually the degree of harmonisation necessary for a unified European market;

Undertaking of obligations to apply rules at least as liberal as those laid down in the Stockholm Convention in the matter of bonuses and subsidies, dumping, public undertakings, invisible transactions, movement of capital, restrictive practices and the right of establishment;

The promotion of the above-mentioned policies by appropriate bodies which should not impede the functioning of any of the existing regional institutions. (Tr.)

The Secretary-General in Stockholm...

DURING his visit to Stockholm on September 20th-23rd, 1960, Mr. Frank Figgures had talks for mutual information with heads and officials of various ministries and with leading representatives of organizations of commerce and industry. A dinner was given in his honour by the Swedish Government, at which the Minister of Commerce, Mr. Gunnar Lange, acted as host. At a reception in the Ministry for Foreign Affairs, Mr. Figgures met Ambassadors and Commercial Counsellors of EFTA countries in Stockholm and representatives of Government departments and of commercial and industrial organizations. He also took part in a debate organized by the Federation of Swedish Industries in connection with a meeting of the Council of Industrial Federations of EFTA in Stockholm. On this occasion Mr. Figgures gave his views on the course and aims of EFTA co-operation. He also met leader-writers of the Stockholm dailies at a press conference, and economists and trade union leaders.

...Paris and Brussels

In October Mr. Figgures made first calls on the Secretary-General of the O.E.E.C., Mr. Thorkil Kristensen, in Paris, and on the President of the Commission of the E.E.C., Prof. W. Hallstein, in Brussels.

THE COMMONWEALTH ATTITUDE

From a Speech by the Rt. Hon. Reginald Maudling, M.P., President of the Board of Trade, at the Guildhall, London, 4th October 1960

I have seen in some quarters expressions of surprise at the result of the Commonwealth Finance Ministers' Conference (held in London in September). It has even been suggested that new obstacles to understanding in Europe have arisen. This is a complete misapprehension. No-one who understood the Commonwealth attitude should have been in any way surprised at the results of the discussions. I and my colleagues have pointed out time and again the immense importance of the British market for our Commonwealth colleagues, and the great significance of duty free entry in particular in our Commonwealth trading system. As we have explained the fact that the terms of the Treaty of Rome would bring Commonwealth free entry to an end is one of the main difficulties we have always seen in it. We still do over 40% of our trade with the Commonwealth, and, vitally important as is the developing economy of Europe, we should be foolish to neglect this fact. We feel, moreover, that there are great difficulties for us and, indeed, for any industrialised country in a course which involves putting new or higher duties on imports, thereby increasing production costs, erecting new barriers to the flow of trade, and in many cases creating new problems for the under-developed countries for whom development aid and capital assistance is inadequate without a market for their products. For all these reasons it is not surprising that at any meeting of Commonwealth Finance Ministers great concern should be felt by all present at any possibility of undermining the existing structure of Commonwealth trade.

What was to my mind particularly encouraging at the meeting was the understanding of Britain's position and of the political issues involved shown by all our Commonwealth colleagues. There is no disagreement with the proposition that the strength of the British economy is of intense interest to the Commonwealth and that the economic and political unity of Europe is also a matter of great Commonwealth concern. We in Britain are at the same time happy to feel that there is a growing realisation among our European friends of the importance to Europe of the link between Britain and the Commonwealth. We have seen again in these last few days further examples of what the cooperation among the free nations of the Commonwealth can mean for the whole free world.

EFTA Meets U.S. Executives

SENIOR representatives of EFTA were on 13th and 14th October the guests of *Business International* at their European Round Table Conference in Brussels. The conference, which lasted a week, was attended by nearly one hundred leading executives from United States' business firms with export or investment interests in the European market. It consisted of informal and off-the-record discussions separately with spokesmen of the E.E.C. and of EFTA.

On 13th October, business leaders from the countries both of the Seven and of the Six met together for luncheon with their American hosts, to hear addresses by Dr. Ludwig Erhard, Vice-President and Minister of Economics in the Federal Republic of Germany, and by the Rt. Hon. Reginald Maudling, M.P., President of the Board of Trade in the United Kingdom. On the following morning, the conference had an exchange of views with EFTA business leaders. In the afternoon, twenty-four senior representatives of the EFTA Governments answered questions in the same friendly and informal atmosphere. They included the present Chairman of the Council at the official level and three other heads of Delegations to EFTA in Geneva as well as high-ranking officials from capitals. On both afternoons, the discussions were attended by the Secretary-General and members of the Secretariat.

The Association welcomed the opportunity afforded by *Business International* to meet and talk with so many important members of the American business community, who are understandably concerned by the uncertainties in the present trading arrangements of Western Europe.

RECENT STUDIES

The Commonwealth and Europe,
published by the Economist Intelligence Unit, London, September 1960, 42/-

Europe and the Commonwealth,
edited by T.P. Soper. Friends of Atlantic Union, 20, Wilton Place, London, S.W. 1.

Trade Diversion in Western Europe,
published by Political and Economic Planning. London, October 1960, 5/-.

The Economic World Balance,
by Thorkil Kristensen and Associates. Published by Munksgaard, Copenhagen K. Danish kroner 46.

EFTA Directory

Secretariat

Secretary-General: Mr. **F. E. Figgures.**
Deputy: Mr. **K. Hammarskjöld.**
Deputy Executive Secretary:
Mr. **C. H. W. Hodges.**
Heads of Department:
Trade Policy: Mr. **E. Bastrup-Birk** (Deputy).
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THE OUTER SEVEN IN THE WORLD ECONOMY

From 'Europe To-day', published by the First National City Bank of New York

THE Outer Seven, as a group, is smaller—but more prosperous—than the Common Market. Its total population, about 90 million in 1959, is little more than half that of the Six, but its combined output of about $100 billion is nearly two thirds as large. Indeed, among the Seven are nations with the highest living standards outside of North America.

These countries are richer because they are able to produce more per capita. They are naturally concerned with expanding trade because it is the international division of labor and industrial specialization that have made their prosperity possible. To maintain their lead, the Seven must continue to import and export more per capita than the Six.

Growth Prospects: The Outer Seven countries emerged from World War II in better economic condition than the Common Market Six. This enabled them to restore production more rapidly after the war. During the 1950-58 period, however, the real gross product of the Six, thanks to a higher rate of investment in new plant and equipment, rose at an annual rate of about 5½ per cent, compared with somewhat less than 3 per cent for the Seven.

The EFTA Information Department acknowledges with gratitude the permission readily granted by the First National City Bank of New York to reproduce in the EFTA Bulletin this extract from its booklet "Europe To-day". This is one of a number of studies of European developments published in recent months by leading U.S. financial institutions and organisations. The vigorous development in Western Europe of new forms of economic integration is being followed with close attention in the United States and Canada.

On a per capita basis, the Outer Seven are still far ahead of the Six in spending for consumer durables, but there are signs that consumer spending may grow faster in E.E.C. than in EFTA. Between 1950 and 1958, spending for consumer durables in the Common Market rose by 146 per cent, from $3.5 to $8.6 billion, while in the EFTA countries the increase was 111 per cent, from $2.8 to 5.9 billion.

Industrial Production: Industrial expansion in EFTA since 1950 has been generally less vigorous than in the Common Market countries. EFTA nations account for slightly less than two fifths of Western Europe's industrial output, compared with almost three fifths for the Common Market. The Seven have a big share of Europe's engineering and metalworking output, largely because of well-developed industries in the United Kingdom, Sweden, and Switzerland. The Common Market leads in the chemical, textile, and basic metal industries. Despite the difference in population, the two areas consume almost equal amounts of electricity.

Foreign Trade: EFTA nations are particularly dependent upon trade with non-European countries. This largely reflects the heavy flow of commerce between the United Kingdom and both the Commonwealth nations and the United States. In 1959, the Seven shipped about 60 per cent of their exports —over $10 billion worth of goods—to countries outside of Europe. This was only $1.5 billion less than the Common Market nations, which sold just under one half of their exports in non-European markets.

Within Europe itself, EFTA countries sell more to Common Market customers than to one another. Each, however, has a large volume of trade with the United Kingdom, while the Scandinavian countries have close ties among themselves. On the other hand, the Common Market countries trade more among themselves than with EFTA. An important exception is Germany, which has strong trade ties with the United Kingdom, Switzerland, Sweden, and Austria. Its European exports are divided almost equally between the two trade groups.

U. S. Investment: U. S. private investment in EFTA at the end of 1959 was estimated at almost $2.8 billion, but over 80 per cent of this was concentrated in the United Kingdom. A somewhat larger proportion of U.S. capital was invested in manufacturing in EFTA than in E.E.C., while petroleum investment was proportionately smaller. The return on U.S. direct investment in the Outer Seven averaged almost 16 per cent during the three year period between 1956 and 1958.

EFTA AND E.E.C. IN PERSPECTIVE — 1959

		EFTA	EEC
Population	mil.	89	170
Gross national product	bil. dol.	101-p	157-p
Fixed investment *	bil. dol.	14	24
Total exports	bil. dol.	17.0	25.2
Total imports	bil. dol.	20.0	24.3
Per capita exports	dol.	192	148
Per capita imports	dol.	225	143
Steel production	mil. m. t.	26.5	63
Coal production	mil. m. t.	211	235
Cement production	mil. m. t.	22	57
Electricity output	bil. kwh	202	243
Private consumption *	bil. dol.	63	100
Durable goods expenditures *	bil. dol.	5.9-p	8.6
Passenger cars in use *	mil.	6.9	10.2
Petroleum consumption	mil. m. t.	58-p	70-p

* 1958 figures. p—partly estimated

THE AMERICAN VIEW

THE United States Ambassador to Britain, the Hon. John Hay Whitney, speaking at an American Chamber of Commerce Luncheon for the U.S. delegates to the Fourth International Conference of Manufacturers in London, on 6th October 1960, had a 'frank and serious' word to say on the American attitude toward the Six and Seven, on which there had been a great deal of misunderstanding, perfectly honest and excusable, but nevertheless unfortunate. Mr. Whitney continued: "I should like to try to state the U.S. view as simply and clearly as I can.

"First as to the Seven, the European Free Trade Association. When the Stockholm Convention came before the GATT at its 16th Session last June, the United States representative urged—and, I repeat, urged—approval of the European Free Trade Association. He said: 'In our view EFTA represents an important effort to lower trade barriers and to strengthen economic co-operation among its members. As such it commands the sympathetic and serious consideration of us all... It is, in our judgment, in harmony with the spirit and broad objectives of the General Agreement.'

This, it seems to me, ought finally to answer the charge that the United States has been against the Free Trade Association.

"As for the Six, the European Economic Community, while it is not true that we support the Six as against the Seven, it is true that we view the EEC as a healthy economic development capable of promoting free world economic growth and expanding world trade. We also view it as a promising approach toward European political stability particularly in integrating Germany in the European framework. We believe that the Common Market is willing and able to be outward-looking and liberal in its trade policies.

"Now finally what about the future? In particular, how does the United States regard the idea of a wider European free trade area? Well, as you know, there is no proposal now before the Six and Seven to establish such an area. So the question really is hypothetical and one has to give a hypothetical answer. We feel, of course, that any larger free trade area would have to be acceptable to the European nations concerned; it would also have to be consistent with the principles of GATT and not weaken the bonds of the Common Market. Those are essential conditions, from our point of view. Beyond that I should say the degree of our support would depend on how liberal were the area's external trade policies and how far the inevitable discrimination against non-members might be offset by other advantages."

THE OUTER SEVEN *(Continued from previous page)*

PATTERN OF U.S. DIRECT INVESTMENT IN EFTA

(Millions of Dollars)

By country:	1950	1954	1955	1956	1957	1958
AUSTRIA-e	13	24	28	32	41	43
DENMARK	32	39	39	45	45	52
NORWAY	24	40	43	61	62	65
PORTUGAL-e	16	23	26	30	30	31
SWEDEN	58	83	96	115	118	119
SWITZERLAND	25	37	41	48	55	60
UNITED KINGDOM	847	1,257	1,426	1,612	1,899	2,058
TOTAL	1,015	1,503	1,699	1,943	2,250	2,428
By industry:						
Manufacturing	611	937	1,060	1,172	1,342	1,453
Petroleum	183	260	301	398	503	512
Trade	123	164	176	179	185	220
Other	98	142	162	194	220	243
Earnings:						
Income transferred to U.S.	87	131	179	208	224	245
Reinvestments	80	138	141	107	146	109
Total earnings	167	269	320	315	370	354
As per cent of investment	*16.4*	*17.9*	*18.8*	*16.2*	*16.4*	*14.6*
New capital from U.S.	63	22	57	132	158	70

e—estimated

EFTA POSITION IN WORLD TRADE JAN.-JUNE 1960

Monthly averages — Thousand U.S. dollars

Reporting Country \ Area of origin or destination	EFTA countries combined	World	Selected areas: GATT Area	Selected areas: OEEC countries combined	Selected areas: EEC countries combined
IMPORTS c.i.f.* into:					
Austria	14,006	112,664	94,693	78,823	63,194
Denmark	53,988	148,882	136,171	114,079	58,486
Norway	47,447	122,779	113,289	88,266	38,547
Portugal	7,740	39,355	29,152	23,207	14,834
Sweden	56,619	236,799	211,332	156,190	96,361
Switzerland	20,313	176,477	164,622	127,726	105,231
United Kingdom	106,118	1,057,208	884,070	313,235	159,235
EFTA Countries combined	306,231	1,894,164	1,633,329	901,526	535,888
EXPORTS f.o.b.** from:					
Austria	10,937	89,696	70,425	58,297	44,922
Denmark	50,315	118.636	1 7 542	86,773	34,566
Norway	31,278	73,710	65,698	51,581	18,528
Portugal	4,423	23,553	15,062	9,781	4,879
Sweden	70,023	204,254	179,025	138,527	64,167
Switzerland	22,848	146,063	122,830	87,532	60.077
United Kingdom	93,841	881,464	728,322	273,156	134,370
EFTA Countries combined	283,665	1,537,376	1,288,904	705,647	361,409

Source: OEEC Statistical Bulletin, Series A.

* c.i.f. = cost, insurance, freight ** f.o.b. = free on board

Austrian Trade with EFTA Partners

Facts given by Director-General Dr. Mayer-Gunthof, President of the Federation of Austrian Industrialists, speaking in Salzburg, 9th September 1960

A comparison of the first half of 1960 with the same period of 1959 shows that the volume of Austrian exports going to other EFTA countries increased from 11% to 12.2% of total Austrian exports. This increase is even more striking in value terms, since the value of Austrian exports to other EFTA countries increased from 1,311 million schillings to 1,706 million schillings. Similarly Austria's imports from other EFTA countries increased over the same period from 1,597 million schillings to 2,185 million schillings, representing an increase from 11.5% to 12.4% of total Austrian imports.

Exports

Breaking down the figures for Austrian exports to EFTA countries, it is seen that Switzerland's share rose from 4.1% of total Austrian exports to 4.5%; the United Kingdom's share grew from 2.5% to 3.1%, proportionally an even greater increase; Sweden's share rose from 2.1% to 2.4%, and Norway's from 0.7% to 1.0%. The share of Denmark remained unchanged at 1.0% and the share of Portugal fell from 0.5% to 0.3%.

Imports

Similar trends can be seen also in the import figures. Austria's most important supplier among the EFTA countries continues to be the United Kingdom, and imports from the United Kingdom rose over this period from 642 to 975 million schillings, representing an increase from 4.7% to 5.5% in the United Kingdom's share in total Austrian imports.

AUSTRIAN TRADE WITH EFTA COUNTRIES

	Million schillings: 1960 Jan-July	Million schillings: 1959 Jan-July	Percentage incr. (+) or decr. (—)
Imports from			
Denmark	148.4	128.4	+15.6
Norway	127.3	65.9	+93.2
Portugal	36.0	39.9	— 9.8
Sweden	270.2	205.7	+31.4
Switzerland	847.1	696.9	+21.6
United Kingdom	1,094.2	751.7	+45.6
EFTA Total	2,523.2	1,888.5	+33.6
Exports to			
Denmark	159.8	138.2	+15.6
Norway	156.3	112.9	+38.4
Portugal	45.5	68.7	—33.6
Sweden	409.3	294.4	+39.0
Switzerland	747.6	575.5	+29.9
United Kingdom	499.6	361.3	+38.3
EFTA Total	2,018.1	1,551.0	+30.1

(Table published in *Neue Zürcher Zeitung*, 16/10/60.)

TRADE BETWEEN EFTA COUNTRIES

A. TRADE OF INDIVIDUAL EFTA COUNTRIES WITH THE REST OF THE EFTA AREA

Monthly averages or individual months — Thousand U.S. dollars

Period	EFTA countries combined	Austria	Denmark	Norway	Portugal	Sweden	Switzerland	U. K.
				IMPORTS c.i.f.				
1958 Year	**253,159**	**10,000**	**44,151**	**41,220**	**8,612**	**48,249**	**15,415**	**85,512**
1959 1 QR	241,705	9,114	46,056	38,444	6,862	42,085	17,620	81,524
2 QR	269,935	11,389	50,061	38,402	9,429	48,341	20,683	83,630
3 QR	268,193	11,161	50,065	40,847	7,454	44,304	19,933	94,429
4 QR	300,827	12,893	54,939	41,076	8,910	60,682	22,948	99,379
Year	**270,168**	**11,140**	**50,282**	**39,691**	**8,163**	**48,854**	**20,296**	**91,742**
1960 1 QR	305,576	14,753	54,286	48,494	6,427	58,257	20,264	103,095
April	*284,737*	*12,680*	*47,669*	*41,390*	*8,863*	*54,536*	*21,650*	*97,949*
May	*312,790*	*15,009*	*56,808*	*36,721*	*9,982*	*57,123*	*20,371*	*116,776*
June	*325,176*	*12,049*	*56,561*	*61,397*	*8,312*	*53,244*	*19,020*	*114,593*
2 QR	306,859	13,258	53,690	46,399	9,052	54,980	20,362	109,118
				EXPORTS f.o.b.				
1958 Year	**233,899**	**8,004**	**41,782**	**23,184**	**3,614**	**59,954**	**20,050**	**77,311**
1959 1 QR	231,716	7,892	41,050	23,783	3,590	55,618	19,167	80,616
2 QR	251,831	8,910	43,792	27,567	3,649	63,721	20,327	83,865
3 QR	245,679	9,251	51,027	23,887	4,351	58,648	21,215	77,300
4 QR	284,626	11,252	49,905	29,608	5,209	69,548	25,282	93,822
Year	**253,468**	**9,327**	**46,443**	**26,212**	**4,200**	**61,884**	**21,498**	**83,904**
1960 1 QR	283,800	11,135	49,515	30,592	4,071	68,707	22,880	96,900
April	*282,098*	*11,641*	*49,116*	*30,980*	*4,169*	*70,985*	*23,450*	*91,757*
May	*287,458*	*11,576*	*49,143*	*32,871*	*5,703*	*68,378*	*23,070*	*96,717*
June	*282,589*	*10,299*	*55,119*	*32,060*	*4,452*	*74,247*	*22,170*	*84,042*
2 QR	283,621	10,739	51,114	31,964	4,775	71,339	22,908	90,782

Monthly figures are provisional; quarterly figures are revised. Consequently, quarterly data do not always tally with the average of the three corresponding months.

B. NETWORK OF INTRA-EFTA TRADE — JUNE 1960 (figure in italics = JUNE 1959)

Value c.i.f. in thousand U.S. dollars

Imports from \ Importing country	Austria	Denmark	Norway	Portugal	Sweden	Switzerland	U. K.	EFTA countries combined
Austria		758 *(812)*	756 *(510)*	282 *(386)*	2,124 *(1,506)*	3,488 *(3,438)*	2,970 *(2,525)*	10,378 *(9,177)*
Denmark	743 *(750)*		4,244 *(3,424)*	142 *(202)*	11,448 *(7,162)*	1,346 *(1,335)*	35,281 *(34,730)*	53,204 *(47,603)*
Norway	385 *(303)*	4,844 *(3,917)*		252 *(732)*	8,591 *(5,792)*	649 *(492)*	17,538 *(13,283)*	32,259 *(24,519)*
Portugal	116 *(240)*	531 *(477)*	113 *(383)*		637 *(483)*	322 *(228)*	3,928 *(3,152)*	5,647 *(4,963)*
Sweden	1,400 *(1,504)*	15,395 *(13,939)*	32,695 *(17,672)*	906 *(792)*		3,117 *(2,355)*	43,378 *(34,621)*	96,891 *(70,883)*
Switzerland	4,294 *(4,503)*	5,721 *(4,119)*	1,596 *(1,406)*	1,651 *(1,348)*	4,054 *(3,456)*		11,498 *(11,359)*	28,814 *(26,191)*
United Kingdom	5,111 *(5,706)*	29,312 *(25,226)*	21,993 *(15,090)*	5,079 *(5,748)*	26,390 *(26,776)*	10,098 *(13,800)*		97,983 *(92,346)*
EFTA countries combined	12,049 *(13,006)*	56,561 *(48,490)*	61,397 *(38,485)*	8,312 *(9,208)*	53,244 *(45,175)*	19,020 *(21,648)*	114,593 *(99,670)*	325,176 *(275,682)*

Source: OEEC Statistical Bulletin, Series A.

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